

**KENTUCKY
SCHEDULE K-1****FORM 765**Commonwealth of Kentucky
REVENUE CABINET**PARTNER'S SHARE OF INCOME,
CREDITS, DEDUCTIONS, ETC.**

For calendar year 1997 or fiscal year

beginning _____ 1997, and ending _____, 199 ____.

1997**Partner's identifying number ►**

Partner's name, address and ZIP code

Partnership's FEIN ►

Partnership's name, address and ZIP code

A This partner is a ☐ general partner ☐ limited partner
☐ limited liability company member.

B Partner's share of liabilities:

Nonrecourse \$ _____
Qualified nonrecourse financing \$ _____
Other \$ _____

C What type of entity is this partner? ► _____

D Partner's taxable percentage of partnership's distributive share items below (see instructions)

(1) Resident partner 100%
(2) Nonresident partner (see Form 765, Schedule K, Section II) ► %

E Enter partner's percentage of:

	(i) Before change or termination	(ii) End of year
Profit sharing	%	%
Loss sharing	%	%
Ownership of capital	%	%

F Check if applicable

☐ Final K-1 ☐ Amended K-1

	(a) Distributive Share Items	(b) Amount
Income or (Loss)	1. Ordinary income or (loss) from trade or business activities	1
	2. Net income or (loss) from rental real estate activities	2
	3. Net income or (loss) from other rental activities	3
	4. Portfolio income or (loss):	
	a Interest	4a
	b Dividends	4b
	c Royalties	4c
Deductions	d Net short-term capital gain or (loss)	4d
	e Net long-term capital gain or (loss)	4e
	f Other portfolio income or (loss) (attach schedule)	4f
	5. Guaranteed payments to partners	5
	6. Net gain or (loss) under IRC Section 1231 (other than due to casualty or theft)	6
	7. Other income or (loss) (attach schedule)	7
	Invest- ment Interest	8. Charitable contributions (attach schedule) and housing for homeless deduction (attach Schedule HH) ...
9. IRC Section 179 expense deduction (attach schedule)		9
10. Deductions related to portfolio income (attach schedule)		10
Credits	11. Other deductions (attach schedule)	11
	12. a Interest expense on investment debts	12a
Other	b (1) Investment income included in lines 4a, 4b, 4c and 4f above	12b(1)
	(2) Investment expenses included in line 10 above	12b(2)
Resident Partner Adjustment	13. Kentucky Unemployment Tax Credit	13
	14. Recycling and Composting Equipment Tax Credit (attach Schedule RC (K-1))	14
	15. a Total expenditures to which IRC Section 59(e) election may apply	15a
	b Type of expenditures	15b
	16. Other items and amounts not reported above (attach schedule)	16
	17. Combination of Kentucky Schedule K-1, lines 1 through 6, 9 and portions of 7 and 11. Add income amounts and subtract (loss) and deduction amounts (see instructions)	17
	18. Combination of federal Schedule K-1, lines 1 through 6, 9 and portions of 7 and 11. Add income amounts and subtract (loss) and deduction amounts (see instructions)	18
	19. Enter the difference of lines 17 and 18 here and on appropriate line on Form 740, page 2 (see instructions)	19

INSTRUCTIONS FOR SCHEDULE K-1 (FORM 765)

Who Must File—Although the partnership is not subject to income tax, the partners are liable for tax on their share of the partnership income, whether or not distributed, and must include their share on the individual income tax return. If you were a Kentucky resident for the entire year, your filing requirement depends upon the amount of adjusted gross income, age and whether you or your spouse are considered to be blind. You must file a return if:

YOUR FILING STATUS IS	AND	ADJUSTED GROSS INCOME EXCEEDS
Single Person—Under age 65		\$5,000
Single Person—Age 65 or over or blind		\$5,000
Single Person—Age 65 or over and blind		\$5,000
Husband and Wife—Both under age 65		\$5,000
Husband and Wife—One 65 or over		\$5,000
Husband and Wife—Both age 65 or over		\$5,400

Any person with gross receipts of \$5,000 or more from self-employment must file a Form 740 regardless of the amount of adjusted gross income or the number of tax credits claimed. Generally, all income of Kentucky residents, regardless of where it was earned, is subject to Kentucky income tax. Nonresidents with income from Kentucky sources and part-year residents receiving income while a Kentucky resident or from Kentucky sources while a nonresident must file a Kentucky return. A Form 740-NP must be filed by an individual with income from Kentucky sources and a combined gross income from all sources of \$5,000 or more. Full-year nonresidents must report all income from Kentucky sources and from property located in Kentucky. Persons moving into Kentucky must report income received from Kentucky sources prior to becoming residents and income received from all sources after becoming Kentucky residents. Residents moving out of Kentucky during the year must report income from all sources while a resident and from Kentucky sources while a nonresident.

When to Report—Include your share of the partnership's income or (loss), credits, deductions, etc., as shown by your Schedule K-1 (Form 765) on your Kentucky income tax return for the year in which the tax year of the partnership ends. For example, if you, the partner, are on a calendar year, and the partnership's tax year ends January 31, 1997, you must take the items listed on Schedule K-1 (Form 765) into account on your tax return for calendar year 1997.

At-Risk Limitations—Generally, if you have a loss from any activity carried on as a trade or business or for the production of income by the partnership and you, the partner, have amounts invested in that activity for which you are not at risk, you will be required to complete federal Form 6198, At-Risk Limitations, to figure the allowable loss to report on your Kentucky income tax return. Your deductible loss from each activity for the tax year generally is limited to the amount you are at risk for the activity at the end of the partnership's tax year or the amount of the loss, whichever is less. To help you complete Form 6198, if required, the partnership has provided a schedule showing your share of income, expenses, etc., for each at-risk activity.

NOTE: Form 740 filers see Form 740 instructions for Line 41 and/or Line 49.

Passive Activity Limitations—The passive activity limitations in IRC Section 469 are figured at the partner level and may apply to any loss reported on Lines 1, 2 or 3 and any other related items of income, loss and deductions reported on Schedule K-1 (Form 765). Refer to the federal Partner's Instructions for Schedule K-1 (Form 1065) to determine if the passive activity limitations apply to your share of loss(es) reported on Schedule K-1 (Form 765), and if you must file Form 8582-K, Kentucky Passive Activity Loss Limitations.

SPECIFIC INSTRUCTIONS

Kentucky Resident Partners (Form 740 Filers)—To determine the net difference between the federal Schedule K-1 amounts and the Kentucky Schedule K-1 amounts, complete Lines 17, 18 and 19. This will adjust the items of income, loss and deductions used to compute your federal adjusted gross income to the Kentucky amounts shown in Column (b), Schedule K-1.

Lines 17 and 18—Include on these lines, the Kentucky Schedule K-1 and federal Schedule K-1 amounts from Lines 1 through 6 and 9. Also include the amounts from Lines 7 and 11 that do not pass through to Schedule A as itemized deductions (see Partner's Instructions for Schedule K-1 (Form 1065)).

NOTE: If Form 8582-K is required, adjust the amounts entered on Lines 17 and 18 to exclude any income, loss, deduction or expense related to a passive activity. Complete the passive activities adjustment worksheet (Form 8582-K, page 2) to determine additions to or subtractions from federal adjusted gross income. **See Form 740 instructions for Line 41 and/or Line 49.**

If amounts on Lines 4(d) and 4(e) are subject to the capital loss limitations, do not include on Lines 17 and 18. Complete federal Schedule D using Kentucky amounts to determine additions to or subtractions from federal adjusted gross income.

Line 19—Enter difference of Lines 17 and 18. If Line 17 is greater than Line 18, enter the difference as an addition to federal adjusted gross income on Form 740, page 2, Line 40. If Line 18 is greater than Line 17, enter the difference as a subtraction on Form 740, page 2, Line 48.

Caution: If the amounts on both Lines 17 and 18 are (loss) amounts the smaller dollar amount of (loss) is the greater amount, and to determine the difference subtract the smaller dollar amount from the larger dollar amount. If the amount on either Line 17 or 18 is an income amount and the amount on the other line is a (loss) amount the income amount is the greater amount, and to determine the difference add the two amounts.

Nonresident Partners (Form 740-NP Filers)—If the percentage shown in item "D(2)" is "100%," you must enter on the appropriate lines of Form 740-NP and related schedules the amounts shown on Lines 1 through 6 and 9, portions of Lines 7, 11 and 12(a) and the portion of Line 15(a) actually deducted for the current year. If the percentage shown in item "D(2)" is less than 100 percent, the amounts on Lines 1 through 6 and 9, the portions of Lines 7, 11 and 12(a) which do not pass through to Schedule A and the portion of Line 15(a) actually deducted for the current year must be multiplied by this percentage and entered on the appropriate lines of the Nonresident or Part-Year Resident Income Tax Return, Form 740-NP, and related schedules. Lines 8 and 10, and the portions of Lines 7, 11 and 12(a) which pass through to Schedule A should not be multiplied by the percentage in item "D(2)." The Kentucky tax credits on Lines 13 and 14 should not be multiplied by the percentage in item "D(2)." Refer to specific instructions below and federal Partner's Instructions for Schedule K-1 (Form 1065).

Lines 1 through 3—Enter on federal Schedule E using Kentucky amounts or Form 8582-K, if applicable.

Lines 4(a) and (b)—Enter on Line 38, Column B, Form 740-NP.

Line 4(c)—Enter on federal Schedule E using Kentucky amounts.

Lines 4(d) and (e)—Enter on federal Schedule D using Kentucky amounts or Form 8582-K, if applicable.

Line 4(f)—Enter on applicable lines of your return (see federal Partner's Instructions for Schedule K-1 (Form 1065)).

Line 5—Enter on applicable line of your tax return (see federal Partner's Instructions for Schedule K-1 (Form 1065)).

Line 6—Enter on federal Form 4797.

Line 7—Enter on applicable lines of your return (see federal Partner's Instructions for Schedule K-1 (Form 1065)).

Line 8—Enter on Schedule A, Form 740-NP.

Line 9—Enter on federal Schedule E using Kentucky amounts.

Line 10—Enter on Schedule A, Form 740-NP.

Line 11—Enter on applicable form or schedule (see federal Partner's Instructions for Schedule K-1 (Form 1065)).

For All Partners

Line 12—See federal Partner's Instructions for Schedule K-1 (Form 1065).

Line 13—Enter credit on Schedule UTC.

Line 14—Enter credit on appropriate line of Form 720, 740, 740-NP or 741.

Lines 15(a), 15(b) and 16—See federal Partner's Instructions for Schedule K-1 (Form 1065).

Estates and Trusts (Form 741 Filers)—Estates or trusts report the amounts shown in Column (b) on Form 741, Kentucky Fiduciary Income Tax Return, and related schedules. See federal Partner's Instructions for Schedule K-1 (Form 1065).